

## Message Text

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ORIGIN PM-05

INFO OCT-01 ARA-10 ISO-00 SS-15 SP-02 L-03 CIAE-00  
INR-10 NSAE-00 TRSE-00 NSC-05 ACDA-12 EB-08 /071 R

DRAFTED BY PM/SAS:RTITUS:RG  
APPROVED BY PM/SAS:ASKOCHANЕК  
L/PM:TBOREK  
ARA/RPP:CFINAN  
ARA/AND:VGRAHAM  
DOD/ISA/DSAA:RHAMMOND  
TREASURY:CCROSSWHITE (INFO)  
-----024571 052358Z /61

R 051906Z JUL 78  
FM SECSTATE WASHDC  
TO AMEMBASSY CARACAS  
INFO ISA/DSAA  
RULPALJ USCINCSO  
AFAFC LOWRY AFB CO

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E.O. 11652: N/A

TAGS:MASS, VE

SUBJECT: INTEREST DUE ON DELINQUENT FMS DEBT

REF: A) CARACAS 3872 (DTG 252141Z APR 78)  
B) AFAFC DENVER MSG DTG 302115Z APR 77

1. WE HAVE CAREFULLY REVIEWED GOV POSITION (REF A)  
CONCERNING USG ASSESSMENT OF INTEREST ON NET FMS  
ARREARAGES. VENEZUELANS CORRECT IN POINTING OUT THAT  
LETTERS OF OFFER (LOAS) ISSUED PRIOR TO AUGUST 1, 1977,  
CONTAINED NO PROVISION OBLIGATING PURCHASER TO PAY  
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INTEREST ON SUCH ARREARAGES. NEVERTHELESS, PARAGRAPH B(3)  
(G) OF ALL LOAS ISSUED AFTER THAT DATE EXPRESSLY PROVIDES  
IN PRINCIPAL PART THAT THE PURCHASER AGREES "... TO PAY  
INTEREST ON ANY NET AMOUNT BY WHICH (THE PURCHASER) IS  
IN ARREARS ON PAYMENTS, DETERMINED BY CONSIDERING  
COLLECTIVELY ALL OF THE PURCHASER'S OPEN OFFERS AND  
ACCEPTANCES WITH THE DOD." THIS LANGUAGE CONSTITUTES

A CONTRACTUAL OBLIGATION OF THE PURCHASER TO PAY INTEREST ON ARREARAGES ARISING UNDER PREVIOUS LOAS, EVEN IF SUCH LOAS DID NOT OF AND IN THEMSELVES EMBODY SUCH A COMMITMENT. IN ADDITION, SINCE VENEZUELAN NAVAL, MILITARY AND AIR ATTACHES HERE WERE INFORMED OF NEW INTEREST ASSESSMENT REQUIREMENTS BY LETTER FROM SAAC DENVER IN APRIL 1977, AND ALL SECURITY ASSISTANCE MANAGEMENT GROUPS WERE INFORMED ON APRIL 30, 1977 (REFB) AND INSTRUCTED TO DISCUSS NEW POLICY WITH THEIR RESPECTIVE HOST GOVERNMENTS, GOV SHOULD HAVE BEEN AWARE OF THIS NEW REQUIREMENT FOR SOME TIME.

2. SECTION 22(A) OF THE ARMS EXPORT CONTROL ACT REQUIRES THAT INTEREST BE ASSESSED ON "... ANY NET AMOUNT BY WHICH ANY (FMS PURCHASER) IS IN ARREARS UNDER ALL OF ITS OUTSTANDING UNLIQUIDATED DEPENDABLE UNDERTAKINGS, CONSIDERED COLLECTIVELY." NEW PARAGRAPH B(3)(G) OF THE STANDARD FORM LOA IS INTENDED TO ENABLE US TO MEET THE REQUIREMENTS OF SECTION 22(A) OF THE AECA BY IMPOSING APPROPRIATE CONTRACTUAL OBLIGATION UPON ALL FMS PURCHASERS. UNDER THE CIRCUMSTANCES, WE SEE NO ALTERNATIVE BUT TO RAISE ISSUE AGAIN WITH APPROPRIATE GOV OFFICIALS, DRAWING ON LANGUAGE OF NEW PARAGRAPH B(3)(G) OF AMENDED LOA. IT WOULD, OF COURSE, BE HELPFUL IF YOU COULD DEMONSTRATE TO GOV THAT IT HAD BEEN PUT ON NOTICE OF THIS NEW REQUIREMENT SOME TIME PAST.

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3. DEPARTMENT WOULD WELCOME EMBASSY VIEWS ON HOW THIS DECISION AND OUR REQUIREMENT TO COLLECT DEBT CAN BE PRESENTED TO GOV SO AS TO CAUSE FEWEST PROBLEMS TO VENEZUELA AND TO OUR BILATERAL RELATIONS. VANCE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MILITARY SALES, DEBT INTEREST, DEBT REPAYMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 jul 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978STATE169403  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** RTITUS:RG  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780276-0593  
**Format:** TEL  
**From:** STATE  
**Handling Restrictions:** n/a  
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**Legacy Key:** link1978/newtext/t19780794/aaaadbz.tel  
**Line Count:** 99  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
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**Message ID:** 1f00fc7a-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN PM  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 78 CARACAS 3872  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 05 may 2005  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 2112997  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INTEREST DUE ON DELINQUENT FMS DEBT  
**TAGS:** MASS, VE, US  
**To:** CARACAS  
**Type:** TE  
**vdkgvwkey:** odb://SAS/SAS.dbo.SAS\_Docs/1f00fc7a-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014